

HOUSE BILL 3510
By Tindell

AN ACT to amend Tennessee Code Annotated, Title 13
and Title 67, relative to low-income housing.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Title 67, Chapter 5, Part 6, is amended by
adding the following language as a new, appropriately designated section:

§67-5-6__.

In arriving at the true value of affordable rental housing, the assessor shall prescribe that the appraisal shall be made according to actual net operating income attributable to the property, capitalized at a market value capitalization rate which reflects the prevailing cost of capital for commercial real estate in the geographical market in which the affordable rental housing is located, adjusted for the enhanced risk that any recorded land use regulation places on the net operating income from the property. The owner of affordable rental housing shall provide to the county tax assessor on or before April 1 of each year, an accurate statement of the actual net operating income attributable to the property for the immediately preceding year prepared in accordance with generally acceptable accounting principles. As used in this section:

(A) "Affordable rental housing" means residential housing consisting of one or more rental units, the construction and/or rental of which is subject to United State Internal Revenue Code (26 U.S.C. 42), or any other federal, state, or similar program intended to provide affordable housing to persons of low or moderate income and the occupancy and maximum rental rates of such housing are restricted based on the income of the persons occupying such housing.

(B) "Land use regulation" means a restriction imposed by an extended low-income housing agreement or other covenant recorded in the applicable land records or by applicable law or regulation restricting the maximum income or residents or the maximum rental rate in the affordable rental housing and shall be considered a land-use restriction and a limitation on the highest and best use of the property during the term of the agreement or covenant, and any amendment or supplement thereto.

(C) "Net operating income" means the actual or anticipated net income that remains after all operating expenses are deducted from effective gross income, but before mortgage debt service and book depreciation are deducted. The assessed valuation of real property used for such affordable housing purposes shall be determined using the actual net operating income, and shall not include federal, state, or municipal income tax credits, subsidized mortgage financing, or project grants, where such subsidies are used to offset the project development cost in order to provide for lower initial rents.

SECTION 2. This act shall take effect upon becoming a law, the public welfare requiring it.